



STATE OF ARKANSAS
**Department of Finance
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**State Tax Depreciation Provision Unaffected By
New Federal Law**

Little Rock—Arkansas is one of several states that have not adopted the Income tax provisions contained in the federal economic stimulus bill Congress passed on March 8, 2002. In response to the tragic events of September 11, 2001 and a slowing economy, Congress passed a stimulus package to boost the national economy. One provision of this federal law permits business taxpayers to claim a 30% advanced depreciation allowance on certain assets placed into service between September 10, 2001 and September 11, 2004.

While the new depreciation provision may be used for federal returns, many states, including Arkansas, operate under a different tax code. "On Arkansas income tax returns, taxpayers must file following the rules in sections 167, 168, 179, and 179A under the Internal Revenue Code of 1986, enacted January 1, 1999," said Tim Leathers, Deputy Director of Department of Finance and Administration, and Commissioner of Revenue. "Arkansas law would have to be changed during a legislative session before these new depreciation rules would apply in Arkansas."

It is estimated that Arkansas' adoption of the new federal depreciation law would decrease state revenue \$129 million during the first three years. Over the next ten years, the state would experience a revenue increase of \$105 million after the advanced depreciation is exhausted. Unlike Arkansas, some state's laws "piggy back" federal tax laws and automatically include federal changes. Some of these states are considering "decoupling" from the new federal laws because of the revenue decrease in the initial years of the law.

You can find more information about Arkansas tax code, or file your income tax electronically, by visiting the Department of Finance and Administration web site at www.arkansas.gov/dfa